



OFFICE OF  
CHIEF COUNSEL

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
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Dear [REDACTED]:

This letter is in response to your request, dated May 11, 2001, for further information regarding the recently published temporary and proposed regulations concerning electronic payee statements. Specifically, in your letter, you pose a series of four questions generally relating to security requirements in the current regulations and those that might be imposed at a later date. We will attempt to address your questions below.

The electronic payee statements regulations are intended to facilitate the electronic furnishing of payee statements to individuals who elect to receive such information electronically from a website, rather than receiving a paper copy of the statement. The regulations are very specific in that they apply only to the Forms W-2, Forms 1098-E, and Forms 1098-T. Generally, the payee must opt into the program and then only after consent has been obtained from the payee and the payee has demonstrated the ability to access the website with the proper software, can the payor meet the furnishing requirement of the Code by posting the statement to a website.

In the preamble to the regulations, both Internal Revenue Service ("IRS") and the Department of Treasury ("Treasury") request comments on the whether the final regulations should prescribe standards to ensure confidentiality of taxpayer information posted on a website. As the preamble states, "[u]ntil final regulations are issued, the Treasury Department and the IRS expect that furnishers will take reasonable precautions to ensure confidentiality of taxpayer information."

At this time, the Service is planning on holding a public hearing on the temporary and proposed regulations on July 25, 2001. In addition, we have received additional written comments regarding this regulation. As the preamble states, the Service and Treasury expect that furnishers will take whatever precautions they feel are necessary to protect

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the confidentiality of taxpayer information. As such, no specific security requirements have been required by temporary and proposed regulations.

No decisions have been made with regard to whether the Service and Treasury will require specific security requirements in the interests of protecting confidential taxpayer information as of this date. We encourage you to submit any written comments you may have to the Service by mailing them to the address provided in the Notice of Proposed Rulemaking, published on February 14, 2001, along with these regulations.

If you have any questions, please feel free to contact either myself or Laura C. Nash at (202) 622-4910 (not a toll free number).

Sincerely,

James C. Gibbons  
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Administrative Provisions & Judicial  
Practice Division